How Much Does a Good Wellness Program Cost?

High healthcare costs continue to be of concern to American businesses. Today, the average annual health insurance premium is $4,500 for individual employees and more than $12,000 for families. Future projections are that healthcare costs will continue to climb about twice as fast as general inflation. And it is estimated that the total healthcare cost of the nation will reach 20% of GDP by 2016.

Much of this high cost has been transferred to employees, who on average pay 16% of insurance premiums for individuals and 27% for families. In addition, employees pay increasingly higher co-pays at the doctor's office and higher deductibles for hospital services. As a result of this trend, both companies and employees are highly motivated to keep healthcare costs as low as possible.

How to curb healthcare costs

Rather than simply cutting benefits or shifting costs to employees, more companies today are starting worksite wellness programs as a way of controlling healthcare costs. Currently, 62% of larger companies (with 200+ employees) are providing worksite wellness programs. Even 26% of smaller companies (with less than 200 employees) also offer their employees wellness programs with the hope of curtailing costs.

Return on Investment (ROI). Just as in the past, companies today that do not provide comprehensive wellness programs generally will not see a positive ROI. Holding an annual health fair, hosting an occasional health class, or providing printed health information without follow-up are usually not enough by themselves to generate change or keep healthcare costs from climbing. To show savings from a wellness program, it is essential for a company to provide a well-run program with comprehensive and effective interventions.

A comprehensive wellness program works

Most companies that are serious about managing costs and saving money recognize the need for a comprehensive program that includes:

- Training and plenty of wellness resources for the company wellness coordinator.
- An annual health and lifestyle assessment with biometric screenings (e.g., blood test, blood pressure, BMI) so you can identify needs and track improvements both for individual employees for and the company as a whole.
- Helping individuals discover their risks and make needed lifestyle changes.
- Inviting employees to participate in appropriate health improvement programs, see their physician for medical follow-up if needed, try a self-help/study program, take advantage of online health resources and interventions, and even enlist a health coach to motivate and assist them in making changes.
- Motivational activities and incentives, such as offering each participating employee a share of the insurance premium saved if they actively meet minimum levels of participation.
- Frequent health communications (monthly newsletter, health challenges, and reminders).
- Health tracking program for physical activity, wellness activities, and events that are tied to incentives, recognition, and rewards.
- Program evaluation and outcomes analysis.

How much should you budget?

How much should you budget for an effective, comprehensive employee wellness program? That's a good question – one that deserves consideration from various sources:

University of Michigan – Dee Edington. This question was asked of Dee Edington, a highly respected wellness program ROI expert, at the annual University of Michigan Corporate Health Management conference. His response: “About $300-400 per employee if you expect good savings and a positive ROI.” He further commented that while “medical care is expensive, wellness care is free” and showed how companies that invest adequate amounts in their wellness programs save at least 3 times their investment in health-related costs.
The Wellness Council of America recommends that at least $100-$150 per employee per year should be spent on promoting wellness, and more if incentives and health coaching are desired.

Cornell University Institute for Health and Productivity Studies – Dr. Ron Goetzel, Director. Dr. Goetzel recommends investing about $150 per employee per year for an expected $450 annual ROI per employee.

U.S. Government. The U.S. Senate currently has a proposed bill waiting for approval that would give businesses a tax credit of up to $200 per employee per year (for up to 10 years) to offset wellness program expenses, but only if the program is comprehensive and well-designed.

For more information on the Healthy Workforce Act, go to: www.healthpromotionadvocates.org/Fact%20Sheet%20Healthy%20Workforce%20Act.pdf.

In reality, you can run an effective employee wellness program for anywhere within this range – $100-$400 per employee per year. With training, careful planning, and assistance from outside vendors, an in-house wellness program can be very effective, easy to offer, and affordable. But keep in mind that the more you invest, the greater the results – and savings – you can expect.

The actual costs depend upon many factors:

- Will the program be run in-house (which is usually much less expensive) or by a contract vendor?
- How extensive will follow-up interventions be?
- Will you include health coaching (shown to be very effective in getting people to change)?
- What health screening tests will be conducted?
- What kind of incentives will be provided?
- How will you distribute the cost?

The full cost of the wellness program doesn’t need to be carried entirely by the company. While the employer carries the primary cost of the program, the employee can often share expenses on interventions or classes, such as paying half of the enrollment fee for a weight loss class – either up front, or upon receipt of documentation of regular attendance. In addition, some insurance carriers will cover a portion of health screening expenses and other wellness program costs.

If you take no action you can expect healthcare costs to increase about 6-12% per year. With average employer costs for health insurance near $6,800 per employee in 2007, that means you can expect to pay an additional $400-$800 annually – certainly more than the cost of a good wellness program.

The average employee has at least 2 risks linked to increased healthcare costs, decreased productivity, and increased absenteeism. Together, these health risks cost the average employer an additional $3,000-$4,000 yearly. This shows the real potential for savings from a well-designed wellness program, which can cut these risks in half or even eliminate them.

With an effective wellness program, you can also benefit from improved productivity (the average economic impact of health risks on productivity is $1,500-2,000 per year/employee), decreased worker’s compensation claims, decreased employee turnover (studies show a 20-30% decrease), and improved employee morale. Plus, employees are happier, less likely to develop serious disease, and more likely to live longer. (The average potential increase in longevity is 4.5 years per employee.)

All organizations have a choice

You can choose to take a reactive approach to healthcare – where you pay for health problems after they develop and continue to see your healthcare costs climb. Or you can take a proactive approach – where you invest in the health of your employees, trim healthcare costs, and improve productivity. The proactive wellness approach clearly makes good business sense – for employees and employers. When a finely tuned, comprehensive workplace wellness program is in place, everyone wins!

References


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